# HOUSING

## *AFFECTED ENVIRONMENT*

This section summarizes the findings of housing analyses developed for this EIS. See Appendix B for additional detailed information.

## Current Housing Stock and Development Trends

Downtown Seattle's housing stock represents a small but rapidly growing segment of the City's overall housing inventory (see Table 11). Approximately 5% of Seattle's housing units are currently located in the Downtown Seattle Urban Center. The last decade saw a significant growth in housing in Downtown. The total housing unit count in the census sub-area that contains most of north Downtown grew by over 50%. The Downtown Urban Center experienced a net increase of 7,000 units between 1991 and 2001.

**Table 11**
**Housing Unit Growth 1980-2000**

| | 1980 | 1990 | 2000 |
|---|---|---|---|
| **Downtown Seattle Sub-Area[1]** | | | |
| **Total Units** | 10,935 | 11,362 | 17,133 |
| **% Change** | | 1980-1990: 3.9% | 1990-2000: 56.7% |
| **Seattle** | | | |
| **Total Units** | 230,039 | 249,032 | 270,524 |
| **% Change** | | 1980-1990: 8.3% | 1990-2000: 8.6% |
| **King County** | | | |
| **Total Units** | 497,000 | 647,343 | 742,237 |
| **% Change** | | 1980-1990: 30% | 1990-2000: 14.6% |

Source: US Census Bureau, City of Seattle

Growth within the Downtown Seattle Urban Center has not been evenly distributed. Belltown experienced the greatest amount of new residential development during the 1990s. Fifty-eight percent of Downtown Seattle's new units were built in the Belltown Urban Village (see Table 12). The Commercial Core saw the next largest amount of residential development over the 10-year period. Growth has been slowest in the City's historic districts (Pioneer Square and the Chinatown/International District) and in the Denny Triangle neighborhood. More residential units were completed in 2001 than any other three years in the previous decade.

[1] Includes the following 2000 Census tracts: 72, 73, 80.01, 80.02, 81, 82, 83, 91 and 92. This area includes most of South Lake Union and portions of First Hill. It is similar but not equivalent to the Downtown Urban Center boundary used elsewhere.

**Table 12**
**Net Units Built and Permitted by Downtown Urban Center Village**
**1991-2002**

| Urban Center Village | Units Built 1991-2000 | Units Built in 2001 | Units Built in 2002 | Permitted Units | Total |
|---|---|---|---|---|---|
| Belltown | 2,914 | 1,168 | 920 | 574 | 5,576 |
| Chinatown-International District | 215 | 269 | 76 | 115 | 675 |
| Commercial Core | 1,512 | 124 | -1 | 61 | 1,696 |
| Denny Triangle | 210 | 366 | 65 | 306 | 947 |
| Pioneer Square | 159 | 1 | 0 | 107 | 267 |
| Total Downtown Urban Center | 5,010 | 1,928 | 1,060 | 1,163 | 9,161 |

Source: City of Seattle Strategic Planning Office, 2002; Dept. of Design, Construction & Land Use, 2003

Table 13 summarizes the amount and type of housing in Downtown neighborhoods. Belltown contains slightly more than half of Downtown's housing inventory, followed by the Commercial Core and Chinatown/International District.

**Table 13**
**Downtown Housing Units by Ownership and Tenure, 2000**

| Urban Village | Subsidized Rental* | Market Rate Rental | Condominium** | Total*** |
|---|---|---|---|---|
| Belltown | 2,062 | 3,019 | 1,626 | 6,707 |
| Chinatown/International District | 1,287 | 329 | 25 | 1,641 |
| Commercial Core | 1,220 | 820 | 740 | 2,780 |
| Denny Triangle | 697 | 230 | 0 | 927 |
| Pioneer Square | 502 | 113 | 182 | 797 |
| Downtown Total | 5,768 | 4,511 | 2,573 | 12,852 |

Sources: *City of Seattle Office of Housing, **City of Seattle Strategic Planning Office/King County Assessor, ***U.S. Census

There are three predominant housing types in Downtown Seattle: condominiums, privately owned market-rate rental apartments, and subsidized apartments.

- Subsidized units account for approximately 45% of all Downtown housing units and two-thirds or more of the housing units in the Chinatown/International District, Pioneer Square and Denny Triangle. According to Office of Housing reports, over 25% of all of Seattle's subsidized units are located in Downtown, an area with only 5% of all units. Buildings with subsidized housing may be owned by market-rate owners, non-profit housing agencies or public agencies.
- Condominiums account for approximately 20% of the housing stock. They are most prevalent in the Belltown and Commercial Core neighborhoods, representing 27 and 20% of the housing units respectively.
- Market rate rentals account for 45% of the units in the Belltown neighborhood, but represent a much smaller share of the housing stock in other Downtown neighborhoods.

A large proportion of Downtown's housing units receive subsidies. It is therefore not surprising that a large proportion of the Urban Center's housing units are currently affordable to households earning less than 50% of the Median Income for King County (Median Area Income or MAI). Tables 14 and 15 show these income levels and rents that would be affordable to households earning those incomes. According to a study by the City of Seattle's Office of Housing in December 2001, 42% of Downtown units were affordable to households earning less than 50% MAI (see Figure 13, next page). Approximately 78% of these units receive some public subsidy, including 3,300 units of low-income housing that have been preserved or developed by non-profit organizations with the assistance of the City of Seattle since 1985.

**Table 14**
**Income Limits for the Seattle-Everett-Bellevue MSA, 2003**

| Family Size | % of Median Income | | | |
|---|---|---|---|---|
| | 30% | 50% | 80% | 100% |
| 1 Person | $16,350 | $27,250 | $39,550 | $49,450 |
| 2 Persons | $18,700 | $31,150 | $45,200 | $56,500 |
| 3 Persons | $21,050 | $35,050 | $50,850 | $63,550 |
| 4 Persons | $23,350 | $38,950 | $56,500 | $70,650 |

Source: HUD, 2003

**Table 15**
**Affordable Monthly Rents by Unit Size, 2003**

| Unit Size | % of Median Income | | | |
|---|---|---|---|---|
| | 30% | 50% | 80% | 100% |
| 0 Bedrooms | $408 | $681 | $988 | $1,236 |
| 1 Bedroom | $438 | $730 | $1,059 | $1,324 |
| 2 Bedrooms | $526 | $876 | $1,271 | $1,588 |
| 3 Bedrooms | $607 | $1,012 | $1,468 | $1,835 |

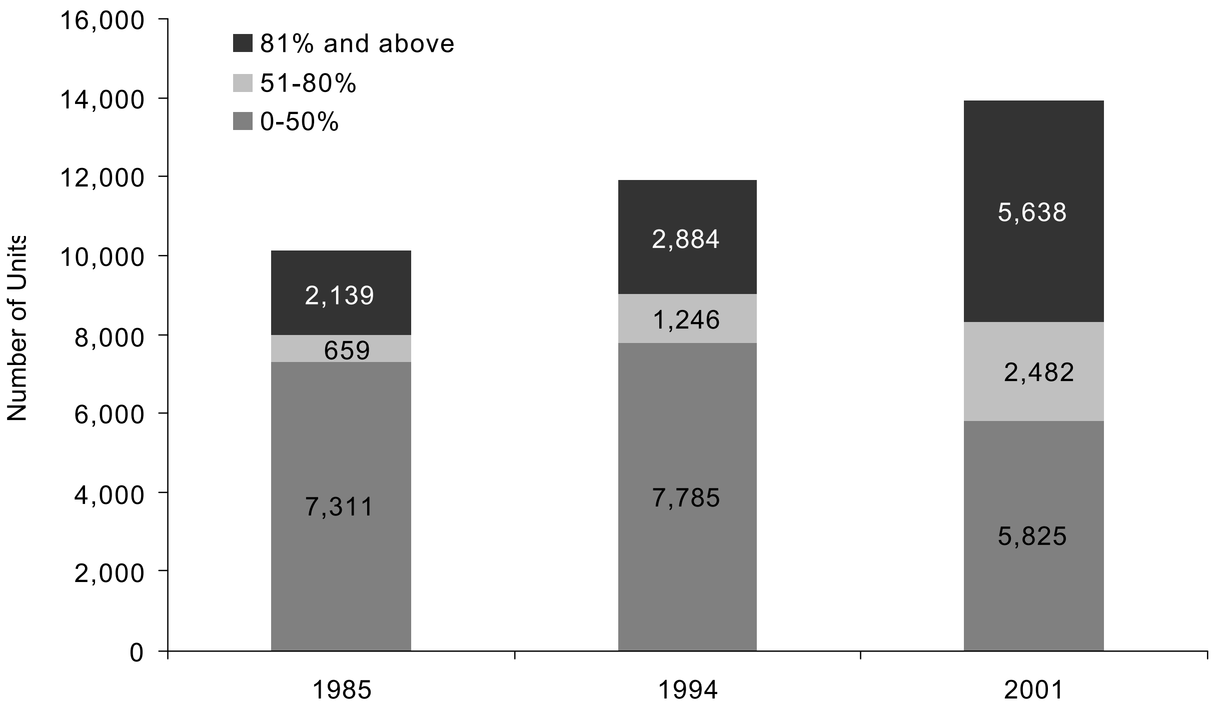
Source: HUD, 2003

However, despite the presence of these units, fewer housing units are affordable to this income group than in 1994, for a number of reasons.

- Some of the low income housing stock available in the market was low cost because it was substandard or derelict in condition. Increased interest in Downtown Seattle as a place to live allowed owners of market-rate housing affordable to lower-income households to improve properties and increase rents above levels affordable to households earning less than 50% MAI.
- Several privately-owned subsidized apartment buildings had been receiving subsidies based on a 20-year commitment to maintain units affordable to lower-income households. Some of the buildings targeted by these subsidies did not renew their subsidy and became available on the private market.
- Redevelopment of sites containing small residential buildings for new residential towers may have resulted in the loss of units affordable to lower-income households, even as the total number of units Downtown grew.
- The expansion of the Convention Center resulted in the demolition of one private apartment building containing over 127 units, which were replaced on First Hill.
- Finally, the renovations of two existing Single Room Occupancy (SRO) hotels have resulted in a net loss of units. These renovations changed SRO units with shared baths and limited kitchen facilities into self-contained apartments and resulted in safer and more private permanent housing available to the same income group.

All of these reasons account for loss of units affordable to households earning less than 50% MAI. Further, a federal subsidy program introduced in 1986 in the form of low income tax credits permits low income units up to 60% of median income, resulting in some new units created just above the 50% affordability level. Finally, mixed-income buildings are a priority in the city and are consistent with neighborhood plans, resulting in more buildings containing a mix of rent levels affordable to households earning between 50% and 80% MAI.

**Figure 13**
**Historic and Current Downtown Urban Center Housing Units By Affordability (Percentage of Median Area Income), 2001**




Source: City of Seattle, Office of Housing

The increase in units affordable to households earning more than 80% MAI is the result of greater attractiveness of Downtown Seattle as a residential community. Vacancy rates in Downtown apartment buildings hovered between two and four percent between 1995 and early 2001, before jumping to a high of 11.4% in Spring 2002 as a number of new buildings opened and the economy crashed at the same time. Between 1995 and 2001, the average rent in market-rate buildings in Downtown Seattle rose 72%, from $759 a month to $1,308 a month. Rents then dropped 12% to $1,156 by Fall 2002. By Spring 2003, vacancy rates had fallen to 8.2% and rents had started to increase again, with an average rent in Downtown apartments of $1,206.

Many of Downtown Seattle's housing units are small. Approximately 47% of units in Downtown Seattle are studios or SRO units, generally one-room units. In comparison, only 7% of housing units citywide are one-room units per a survey by the U.S. Census. Two-thirds of the studio and SRO units are in subsidized buildings, providing a significant stock of affordable housing for low-income single persons. However, larger units are more likely to be offered at market rates. Only 35% of one-bedroom units are subsidized, and only 3% of two-bedroom units in Downtown Seattle are subsidized.

## *IMPACTS*

Under all alternatives, if the development forecasts are achieved, the housing stock in the study area would be significantly transformed through increased residential densities. This transformation is consistent with the City's Comprehensive Plan and neighborhood plans for the study area and is not necessarily an adverse impact.

Under all of the alternatives, including today's existing conditions, some existing housing might be demolished. Some households with employees in new Downtown Seattle office buildings and hotels would have difficulty finding affordable housing to meet their needs in King County. They would need to live in overcrowded conditions, pay more than 30% of their income for rent, or commute from lower-priced housing outside of King County. Those few households not able or willing to make these choices could potentially become homeless. However, those demolitions and the difficulties that some households with employees Downtown would face finding appropriate housing would be as likely to occur under existing conditions as under any of the alternatives, and are not significant adverse impacts of the alternatives.

There would, however, be unavoidable impacts on the City's Transfer of Development Credits (TDC) program. The TDC program uses incentives for additional residential development in the Denny Triangle to leverage preservation of rural King County land in agricultural use and to contribute to an amenity fund dedicated to the Denny Triangle. For all Alternatives other than Alternative 4 – No Action, the ability of the TDC program to function would be limited to a lesser or greater extent.

In addition to the impacts on the TDC program, the different alternatives would have varying effects on: the capacity for housing; the concentration and mix of housing over twenty years; the potential demolition of residential buildings; and the ability of households with Downtown employees earning below-median incomes to find housing meeting their needs.

## Alternative 1 – High End Height and Density Increase

### CAPACITY FOR HOUSING

Under Alternative 1, there would be capacity for approximately 10,505 additional housing units within the study area, and another 12,350 housing units could be built in the rest of the Downtown Urban Center (see Table 16). This amount of housing development could meet market demand for approximately 26 years, after which theoretically there would not be any more residential development sites available to meet Downtown residential demands. Within the study area, the greatest amount of residential capacity is located in the Denny Triangle. There is not much projected residential development capacity within the Commercial Core, due to a limited number of available sites in the Commercial Core and the assumption that new residential structures will not be built within the DOC1 zone. For more discussion of the capacity model, please see the Land Use section.

**Table 16**
**Capacity for New Housing Units on Available Sites**
**By Alternative and Urban Center Village**

| | Alternative 1 | Alternative 2 | Alternative 3 | Alternative 4 |
|---|---|---|---|---|
| Commercial Core | 1,260 | 1,340 | 1,340 | 1,185 |
| Denny Triangle (No TDC) | 7,170 | 6,410 | 6,905 | 5,375 |
| Belltown (Portion) | 2,075 | 2,070 | 2,430 | 1,930 |
| **Total Study Area without the TDC Program** | **10,505** | **9,820** | **10,675** | **8,490** |
| Potential Units under the TDC Program | N/A | 2,630 | 4,415 | 5,300 |
| Total Outside Study Area[2] | 12,350 | 12,350 | 12,350 | 12,350 |
| **Maximum Potential Downtown Capacity** | **22,855** | **24,800** | **27,440** | **26,140** |

Source: Cushman & Wakefield, Craig Kinzer & Co., The Seneca Real Estate Group, 2001; Strategic Planning Office, 2002

If all of the potential commercial development capacity was built out under Alternative 1, approximately 101,700 households new to the region would include Downtown workers.[3] If the potential Downtown residential capacity was used, only about 22% of those households could find housing Downtown. The other 78% of new households with Downtown employees would need to obtain housing and commute to work from areas outside of Downtown (see Table 17).

**Table 17**
**New Worker Households and New Residential Units at Maximum Build-Out**

| Urban Village | Alternative 1 | | Alternative 2 | | Alternative 3 | | Alternative 4 | |
|---|---|---|---|---|---|---|---|---|
| | New Worker HH[4] | Res. Capacity | New Worker HH | Res. Capacity | New Worker HH | Res. Capacity | New Worker HH | Res. Capacity |
| Commercial Core | 32,300 | 1,260 | 30,100 | 1,340 | 28,600 | 1,340 | 25,100 | 1,185 |
| Denny Triangle | 49,600 | 7,170 | 42,400 | 7,070 | 36,500 | 8,010 | 36,200 | 6,645 |
| Belltown | 11,000 | 2,075 | 9,200 | 2,070 | 7,600 | 2,430 | 8,400 | 1,930 |
| Outside Study Area | 8,800 | 12,350 | 8,800 | 12,350 | 8,800 | 12,350 | 8,800 | 12,350 |
| Total | 101,700 | 22,855 | 90,500 | 22,830 | 81,500 | 24,130 | 78,500 | 22,110 |

Source: Cushman & Wakefield, Craig Kinzer & Co., The Seneca Real Estate Group, 2001; Strategic Planning Office, 2002

## TRANSFER OF DEVELOPMENT CREDITS PROGRAM

The Denny Triangle Transfer of Development Credits (TDC) program allows additional residential height with the transfer of development opportunities from rural King County land. The TDC program reduces the number of units that can be built on a site in rural King County (the “sending area”). The right to build those units is transferred to a new residential (or mixed-use) project in the Denny Triangle (the "receiving area"). The sending area property owner is paid to keep the land undeveloped, while the receiving area property owner buys the credit, allowing additional development beyond what zoning allows in the

[2] Includes units in the development pipeline as of 1/1/2000 and potentially developable parcels in the rest of Belltown, the Chinatown/International District, and Pioneer Square.
[3] This assumes that there will be one worker for every 250 square feet of commercial space built, and 1.65 workers for every household with workers employed Downtown.
[4] Assumes use of the TDC program on one-quarter of eligible sites.

receiving area. In the Denny Triangle, the amount of residential development permitted on a site is regulated through the height limit. Under the TDC program, a developer in the Denny Triangle may increase the height limit of a project by purchasing development credits. The building floor area could extend up to 30% above the zoned height limit through the purchase of credits and amenities funding. In other words, the TDC program works by exchanging a 30% height increase for commitments to purchase rural credits and to pay into a neighborhood amenity fund.

With 30% height limit increases for all uses, however, the incentive to use the TDC program would disappear under Alternative 1. Under this alternative, all commercial projects could build up to that 30% above the zoned height limit without requiring the use of the TDC program. Although different measures could be taken to preserve the TDC program, all of those options would create increased hurdles for new residential development. Consequently, there would not be enough incentive to use the program to expect developers to choose to use it.

The TDC program, started in 1999, has not yet been used on any site in the Denny Triangle. During this time, six residential projects have been permitted in the Denny Triangle, three of which would reach the maximum height limit. Three of these have received their land use approval after the TDC program was in place. Interviews by Craig Kinzer & Co. indicated a lack of understanding or interest in the program on the part of some developers. However, other developers have proposed using the program. Those projects that would have used the program are currently stalled due to changes in the real estate market. It is thus too early to determine whether the TDC program would be viable under any of the alternatives.

## DOWNTOWN HOUSING SUPPLY

Between 2000 and 2020, approximately 45,385 new housing units[5] would need to be built in the region to accommodate the new households attracted by new Downtown jobs. An extended forecast based on the ERA study suggests a demand for approximately 17,500 (40%) of these new housing units in Downtown Seattle between 2000 and 2020. The balance of the households would seek housing in other parts of the City, County and region. Under all alternatives, there would be enough capacity to meet that projected twenty-year demand, and developers are likely to build enough units to satisfy that demand.

The development capacity model assumed that residential development could and would occur as part of mixed-use projects on sites that are developed with commercial uses at the same time. These projects would often consist of large sites developed with market-rate apartment or condominium towers paired with separate office towers. An example of this type of development is the proposed 2200 Westlake Project, which will combine residential towers, office space and substantial retail space, including a grocery store, on the same site.

Other mixed-use projects might include both commercial and residential space within the same tower. This type of development is most likely to combine hotel uses and residential uses within a tower, because of similarities in the development types and opportunities that would arise for providing hotel-like services to the permanent residential tenants. However, the first project in Downtown Seattle to combine residential uses on top of office uses in a tower has had difficulty selling its units, and their experience may discourage other projects of this type. Increases in the permitted height of residential buildings and no limits on residential density will also encourage the development of some large-scale residential projects. These projects might be large residential towers up to 100 feet taller and 30% denser than recent residential towers.

It was not possible to predict the portion of market-rate units that would be condominium units compared to apartment units. Approximately 20% of Downtown's current housing stock is owner-occupied, up from

[5] Assumes that, on average, there would be a 5% residential vacancy rate, requiring 5% more units than households.

10% in 1990. This would indicate that Downtown condominiums could be a strong component in the future mix of housing units. However, several recent lawsuits have found condominium developers liable for multi-million dollar judgements based on claims of poor quality construction. Because of these lawsuits, condominium developers have had a difficult time finding insurance at prices that would make a project feasible. Unless liability regulations change, Downtown Seattle is unlikely to see many new condominiums developed. However, if there is such a change, the percentage of Downtown units that are owner-occupied will likely continue to increase.

The physical form of residential development will be influenced by the costs of construction and the markets served. While a number of market-rate apartment and condominium towers have used high-rise steel-frame construction and future buildings of this type can be expected, this type of construction has generally not been attractive to non-profit and other subsidized housing developers. This is so for a number of reasons. First, the initial cost of building taller steel-frame buildings is higher than lower-rise wood-frame construction. Consequently, the amount of funding that is required from development partners to build taller buildings is higher. The non-profit developer can't recoup those costs, but market-rate builders can recoup costs through the higher rents that market-rate tenants are willing to pay for higher units. Second, managing larger buildings can require additional staff, which increases costs.[6] Third, the concentration of low-income and special needs housing in single-use high rise developments is no longer seen as a preferred development model. Smaller-scale, mixed-income buildings, and subsidized housing integrated into the non-subsidized housing stock are seen as superior models for the residents as well as the surrounding community. If non-profit developers build subsidized housing in the study area, such housing will most likely be lower-density, with up to a five-story wood-frame structure over a concrete base.

Given the current and probable future stock of Downtown housing (mostly smaller rental units) and current and historic household sizes, households attracted to living in Downtown Seattle would likely be smaller households of one or two people. Larger households, most family households, and many households interested in owning rather than renting their housing, would generally not be able to find appropriate housing within the Downtown Urban Center.

## Supply of Affordable Units

Given current and projected Downtown office tenants, approximately 16% of these office worker households would earn less than 80% of the Median Area Income (MAI). These households would generally need some subsidy in order to afford a Downtown housing unit. By 2020, as many as 550 households with new Downtown workers would have household incomes of less than 30% of MAI. Approximately 2,160 households would have incomes between 30% and 50% of MAI. Finally, as many as 3,725 households with new Downtown employees would have incomes between 50% and 80% of MAI.

New office and hotel projects contributing to the Downtown Bonus program would create funds that could be leveraged with other public and private funds to create housing to serve projected new populations with housing assistance needs. Under Alternative 1, funds could be generated over twenty years to address the housing needs of approximately 450 (74%) of households earning up to 30% MAI (see Table 18). The bonus program could contribute funds to house approximately 1,325 (54%) of the households earning between 30% and 50% MAI. Approximately 900 households earning between 50% and 80% MAI (21%) could be housed through housing from the Bonus program. The current stock of subsidized housing Downtown generally consists of smaller units (Single Room Occupancy units and Studios), not appropriate to larger households. Approximately 4,075 households attracted by new jobs in Downtown Seattle would not be able to find housing in Downtown Seattle they could afford.

[6] The economics of building senior housing projects may be different. The type of services offered to senior housing residents, such as providing meals, may be subject to increased efficiencies as tenant populations increase.

**Table 18**
**Potential Subsidized Housing Units Leveraged[7] through the Downtown Bonus Program[8]**
**2000-2020**

| | $ Available to Meet Demand | Units Leveraged by Income Group | | | |
|---|---|---|---|---|---|
| | | 0-30% MAI | 30-50% MAI | 50-80% MAI | Total |
| Alternative 1 | $85,900,000 | 450 | 1,325 | 900 | 2,675 |
| Alternative 2 | $96,700,000 | 550 | 1,600 | 1,075 | 3,225 |
| Alternative 3 | $83,800,000 | 475 | 1,375 | 925 | 2,775 |
| Alternative 4 | $60,700,000 | 350 | 1,000 | 675 | 2,025 |
| Demand[9] | | 575 | 2,265 | 3,910 | 6,750 |

Source: Strategic Planning Office, 2002

If all available sites within the study area were built out, as many as 14,050 new households with Downtown Seattle workers would have combined incomes of less than 80% of the Median Area Income. These households would potentially need some subsidy to be able to afford housing in Downtown Seattle. The Downtown Bonus program would provide enough funds to develop up to 7,850 units affordable to those households, which would meet approximately 55% of the demand (see Table 19).

**Table 19**
**Subsidized Housing Units Leveraged through**
**Downtown Bonus Program if all Available Sites are Developed**

| | New Housing Units Leveraged by Income Group | | | | Demand for Housing Units affordable at <80% MAI from new Downtown Workers |
|---|---|---|---|---|---|
| | 0-30% MAI | 30-50% MAI | 50-80% MAI | Total | |
| Alternative 1 | 1,350 | 3,900 | 2,600 | 7,850 | 14,050 |
| Alternative 2 | 1,400 | 4,050 | 2,700 | 8,150 | 12,350 |
| Alternative 3 | 950 | 2,700 | 1,850 | 5,500 | 11,200 |
| Alternative 4 | 600 | 1,800 | 1,200 | 3,600 | 10,550 |

Source: Strategic Planning Office, 2002

Households not able to find subsidized housing in Downtown Seattle would need to look for housing in other parts of the City and region. A study by the King County Office of Regional Policy and Planning found a deficit of housing affordable to households earning less than 30% of Median Income in the County. Opportunities for households earning less than 30% MAI to find any affordable housing in King County would be limited both inside and outside the City. As a result, approximately 150 households with employees in new Downtown Seattle office buildings and hotels would have difficulty finding affordable housing to meet their needs in King County. They would need to live in overcrowded conditions, pay more than 30% of their income for rent, or commute from lower-priced housing outside of King County.

[7] Assumes leveraging of City, State, Federal and private funds on top of the contribution of the housing bonus program. If additional funds are not available, the funding required would equal $120,000 for units affordable at less than 30% MAI; $110,000 for units affordable to households earning between 30% MAI and 50% MAI; and $50,000 for units affordable between 50% MAI and 80% MAI.

[8] Based on projected commercial projects not in the permit pipeline as of 1/1/2001. Some projects permitted as of 1/1/2001, may also contribute to the Downtown Housing Bonus fund, but would not be required to contribute.

[9] Assumes a 5% vacancy rate.

Those few households not able or willing to make these choices could potentially become homeless (see Table 20).

**Table 20**
**Countywide Surplus or Deficit of Housing Affordable to Low-Income Households 2002**

| Percent of Median Income For Household of Three | Number of Renter Households in this Income Group | Total Number of Units Affordable to this Income Group Including Subsidized Units | Cumulative Deficit or Surplus of Units with Subsidized Units Included |
|---|---|---|---|
| **0% to 30%** (Under $19,500) | 59,454 | 38,638 | -20,816 |
| **31% to 60%** ($19,500-$39,000) | 72,082 | 113,763 | 20,865 |
| **61% and above%** ($39,000 or more) | 162,523 | 158,845 | 17,187 |

Source: King County Countywide Planning Policies Benchmark Report, 2002

### POTENTIAL LOSS OF HOUSING TO REDEVELOPMENT

Six sites in the study area currently occupied by buildings in residential use were identified by Cushman and Wakefield as potentially redevelopable. These sites were identified by comparing the size of existing buildings to the maximum permitted size of buildings on the site. This does not indicate that the City or the consultant has any knowledge of proposed demolition of these buildings, or that the current owners are contemplating demolition of these buildings. Instead, it indicates that existing buildings are small compared to the potential size of buildings that might be built on those sites.

Two of these buildings are in the DMC zone of the Commercial Core, along 1st Avenue: Oxford Apartments, 1920 1st Ave.; and the Elliott Hotel (Hahn Building), 103 Pike St. One is in the DOC 1 zone of the Commercial Core: Downtown YWCA, 1118 5th Ave. One is in the DOC 2 zone of the Commercial Core: 411 Apartments, 411 Jefferson St. Another building is in the DMC zone in Belltown: Stratford on Fourth, 2021 4th Ave. The last is in the Denny Triangle's DOC 2 zone: Williamsburg Apartments, 1007 Stewart St. These buildings contain approximately 300 residential units.

Three of the buildings, housing approximately 141 units, currently receive subsidies to maintain their units affordable to households earning less than 50% of the median area income (Downtown YWCA, 411 Jefferson St. and the Elliott Hotel). Two of the buildings, (the Oxford Apartments and the Elliott Hotel) totaling approximately 80 units, were identified among the Downtown sites "more likely to redevelop." The other four buildings are categorized as "less likely" to be redeveloped than many other Downtown sites. The development scenario used in this analysis did not project that any of these sites would be redeveloped between 2000 and 2020.

## Alternative 2 – Concentrated Office Core

### CAPACITY FOR HOUSING

Under Alternative 2, there would be capacity for approximately 9,820 housing units within the study area, and another 12,350 housing units in the rest of the Downtown Urban Center (refer to Table 16). This amount of housing development could meet market demand for approximately 24 years, after which there would theoretically not be any more residential development sites Downtown. This alternative provides one less year's worth of residential development capacity compared to Alternative 1.

There is little difference in total residential capacity in the Commercial Core between Alternatives 1 and 2. Permitted heights and densities would not change between these two alternatives in the Commercial Core DOC 1 and the southern DOC 2 zones. The number of residential units that could be built in the DMC zone and the northern DOC 2 zone could increase slightly. These increases would be due to shifts in the ratio between the permitted commercial density and the permitted building envelope.

Because of reduced commercial densities in the DOC 2 zone in Belltown, additional residential units could be built in that zone. At the same time, the potential number of units in the Belltown DMC zone could drop as a result of decreases in the DMC height limit. The net result of these changes might be a slight shift in the number of potential residential units from the DMC zone to the DOC 2 zone.

If all of the potential commercial development capacity were built out under Alternative 2, an additional 90,500 households would include Downtown workers. If all potential Downtown development capacity was used, 25% of those households could find housing Downtown. This would represent a 13% increase over Alternative 1, reflecting a decrease in the number of potential Downtown workers and an increase in the number of potential housing units. The other 75% of households with Downtown employees would need to obtain housing and commute from areas outside of Downtown.

## TRANSFER OF DEVELOPMENT CREDITS PROGRAM

Under Alternative 2, the TDC program could create opportunities for development of approximately 2,630 more units in the Denny Triangle DMC zone than described above. With the TDC program, the Denny Triangle would have capacity for 1,945 units more than under Alternative 1, a gain of 2 additional years worth of capacity. The TDC program, which has not yet been used in the Denny Triangle, would not function in the Denny Triangle DOC 2 zone for the same reason that it would not operate under Alternative 1. The increase in height that is an incentive to build residential space under the TDC program would be granted to commercial projects without their use of the program.

## DOWNTOWN HOUSING SUPPLY

Over twenty years, the net supply and demand of Downtown housing under Alternative 2 is expected to be the same as for Alternative 1.

### Supply of Affordable Units

Between 2000 and 2020, more resources could be available to meet demand for housing for the lowest-income households than under Alternative 1. New office and hotel projects contributing to the Downtown Bonus program would provide funds that could leverage other public and private funds to create housing to serve these populations.

Under Alternative 2, funds could be generated over twenty years to address the housing need of as many as 96% of households with Downtown workers with incomes that are less than 30% MAI (refer to Table 18). The bonus program could contribute funds to house approximately 70% of the households with Downtown workers earning between 30% and 50% MAI. Twenty-seven percent of the households with Downtown workers earning between 50% and 80% MAI could be housed through leveraging funds available from the Bonus program.

Overall, over twenty years, funds would be available to house approximately 48% of households earning less than 80% MAI, or 550 more households than under Alternative 1. However, even given this increase in housing for lower income households, twenty-five households with employees in new Downtown Seattle office buildings and hotels would have difficulty finding affordable housing to meet their needs in King County. They would need to live in overcrowded conditions, pay more than 30% of their income for rent, or commute from lower-priced housing outside of King County. Those few households not able or willing to make these choices could potentially become homeless.

Beyond 20 years, if all available parcels are developed, there would be demand for 12,350 units affordable to households earning less than 80% MAI with Downtown workers. Developers participating in the Downtown housing bonus program would contribute funds that might be able to leverage other City, State, Federal and private funds to develop 8,150 units. The total number of units that could be built is 300 units more than under Alternative 1. As a result, approximately 66% of new households with Downtown workers earning less than 80% MAI could find housing financed in part by the Housing Bonus funds. This would represent a 10% increase over the proportion of households able to find affordable Downtown housing under Alternative 1.

The increase in funds contributed to the housing bonus program under Alternative 2 is a result of the base FAR increases contemplated throughout the study area under Alternative 1. By not increasing the base FAR in Alternative 2, more commercial floor area would be subject to the provisions of the Downtown Bonus and TDR programs. Under Alternative 2, a larger portion of all commercial floor area would be subject to the housing bonus program. Approximately 52% of the floor area in all new buildings would be subject to the Bonus/TDR program requirements, compared to 44% under Alternative 1. By not increasing the base FAR limit while still increasing the maximum FAR limit, more floor area in each building in each zone would be likely to provide voluntary contributions to the Bonus program. If the base FAR limit were to be increased in the DOC 1 and DOC 2 zones as is proposed under Alternative 1, the amount of funds available over 20 years would be less than the funds available under Alternative 1.

### POTENTIAL LOSS OF HOUSING TO REDEVELOPMENT

The potential for demolition of residential buildings under Alternative 2 would be the same as for Alternative 1, in both the number and location of identified buildings.

## Alternative 3 – Residential Emphasis

### CAPACITY FOR HOUSING

Under Alternative 3, there would be capacity for approximately 10,675 housing units within the study area, and another 12,350 housing units in the rest of the Downtown Urban Center (refer to Table 16). This amount of housing development could meet market demand for over 25 years, after which theoretically there would not be any more residential development sites available Downtown. This alternative provides approximately the same amount of residential development capacity as under Alternative 1.

Permitted heights and densities would not change between these two alternatives in the Commercial Core DOC1 and southern DOC2 zones. The number of residential units that could be built in the DMC and northern DOC2 zones could increase slightly. These increases would be due to shifts in the ratio between the permitted commercial density and the permitted building envelope.

Because of a reduced height limit in the DOC2 zone in Belltown, fewer residential units could be built in that zone. At the same time, the potential number of units in the Belltown DMC zone would increase with a rezone from DMC to a Downtown Mixed Residential/Commercial (DMR/C) zone. This rezone would reduce the amount of commercial space permitted on a site. It would also require that larger office buildings include residential units. These changes would lead to an increase in capacity of approximately 350 units throughout the area over Alternative 1, a 17% increase in this area.

If all of the potential commercial development capacity were built out under Alternative 3, an additional 81,500 households would include Downtown workers. If the potential Downtown residential capacity was used, 30% of those households could find housing Downtown. This would be equal to an increase of one-third over the proportion that could be housed Downtown under Alternative 1. This increase results from a decrease in the number of Downtown employees and a similar number of potential Downtown units. The other 70% of households with Downtown employees would need to obtain housing and commute from areas outside of Downtown.

## TRANSFER OF DEVELOPMENT CREDITS PROGRAM

The TDC program would create opportunities for approximately 4,400 units in the Denny Triangle's DMC zone and portions of the DOC 2 zone. If all potential units available through the TDC program were built, the Denny Triangle would have capacity for 4,585 more units than under Alternative 1, enough potential capacity to meet an additional five years worth of residential demand. The TDC program, which has not yet been used in the Denny Triangle, would not function in those portions of the DOC 2 zone that would be subject to height and commercial density increases. The increase in height that is an incentive to build residential space under the TDC program would be granted to commercial projects in that portion of the DOC 2 zone without requiring their use of the program.

## DOWNTOWN HOUSING SUPPLY

Over twenty years, the demand for Downtown Housing under Alternative 3 is expected to be the same as for Alternative 1. The type of housing that could be built under Alternative 3 would be similar to, although often shorter than, the housing projects that could be built under Alternative 1. However, under Alternative 3, some residential enclaves could be developed in areas rezoned to DMR. These areas would be developed with high-rise residential towers, separate from the office/residential mixed-use environment that could emerge in the rest of the study area.

### Supply of Affordable Units

Between 2000 and 2020, more resources could be available to meet demand for housing for the lowest-income households than under Alternative 1. New office and hotel projects contributing to the Downtown Bonus program would provide funds that could leverage other public and private funds to create housing to serve these populations. Under Alternative 3, funds could be generated over twenty years to address the housing need of as many as 83% of households with Downtown workers with incomes that are less than 30% MAI (refer to Table 18). The bonus program could contribute funds to house approximately 61% of the households with Downtown workers earning between 30% and 50% MAI. Twenty-four percent of the households with Downtown workers earning between 50% and 80% MAI could be housed by leveraging funds available from the Bonus program.

Overall, over twenty years, funds would be available to house approximately 41% of households earning less than 80% MAI, or 325 more households than under Alternative 1. However, even given this increase in housing for lower income households, 100 households with employees in new Downtown Seattle office buildings and hotels would have difficulty finding affordable housing to meet their needs in King County. They would need to live in overcrowded conditions, pay more than 30% of their income for rent, or commute from lower-priced housing outside of King County. Those few households not able or willing to make these choices could potentially become homeless.

Beyond 20 years, if all available parcels are developed, there would be demand for 11,200 units affordable to households earning less than 80% MAI with Downtown workers. Developers participating in the Downtown housing bonus program would contribute funds that might be able to leverage other City, State, Federal and private funds to develop 5,500 units. This is 2,350 fewer units than under Alternative 1. As a result, approximately 49% of new households with Downtown workers earning less than 80% MAI could find housing financed in part by the Housing Bonus funds. This would represent a 6% decrease from the proportion of households able to find affordable Downtown housing under Alternative 1.

### POTENTIAL LOSS OF HOUSING TO REDEVELOPMENT

The potential for demolition of residential buildings under Alternative 3 would be the same as for Alternative 1, in both the number and location of identified buildings.

## Alternative 4 – No Action

### CAPACITY FOR HOUSING

Under Alternative 4, there would be capacity for approximately 8,490 housing units within the study area, and another 12,350 housing units in the rest of the Downtown Urban Center (refer to Table 16). This amount of housing development could meet market demand for up to 23 years, after which there would theoretically not be any more residential development sites available Downtown. Residential capacity under this alternative provides two fewer years worth of residential development capacity than under Alternative 1. This decrease is due to the height increases proposed for Alternative 1. All zones and subareas would have less capacity for housing under existing conditions except for the Commercial Core DMC zone where the density increases proposed under Alternative 1 would meet or exceed the potential building envelope in lower height-limit areas.

### TRANSFER OF DEVELOPMENT CREDITS PROGRAM

Under existing conditions, the TDC program would create opportunities for approximately 5,300 units throughout the Denny Triangle, potentially doubling the residential capacity in the study area. If all potential units were built under the TDC program, there would be capacity for 3,285 more units than there would be capacity for under Alternative 1. The potential residential capacity under the TDC program could provide housing to meet almost six years worth of residential demand. No projects have used the TDC program in the three years that it has been in existence. This is the only alternative under which the TDC program would remain active throughout the entire Denny Triangle.

### DOWNTOWN HOUSING SUPPLY

Over twenty years, the supply and demand for Downtown Housing under Alternative 3 is expected to be the same as for Alternative 1.

#### Supply of Affordable Units

Under Alternative 4, fewer resources could be available between 2000 and 2020 to meet demand for housing for the lowest-income households than under any other Alternative. New office and hotel projects contributing to the Downtown Bonus program would create funds that could be leveraged with other public and private funds to create housing to serve these populations. Under Alternative 4, commercial projects might provide bonus funds to address the housing need of approximately 61% of households earning less than 30% MAI, 20% less than under Alternative 1. The bonus program under Alternative 4 could contribute funds to house approximately 49% of the households earning between 30% and 50% MAI. Seventeen percent of the households earning between 50% and 80% MAI could be housed through funds leveraged through the Bonus program. Overall, funds would be available to house 30% of households earning less than 80% MAI, or 650 fewer households than under Alternative 1. As many as 225 households with employees in new Downtown Seattle office buildings and hotels would have difficulty finding affordable housing to meet their needs in King County. They would need to live in overcrowded conditions, pay more than 30% of their income for rent, or commute from lower-priced housing outside of King County. Those few households not able or willing to make these choices could potentially become homeless.

The difference between Alternative 1 and Alternative 4 is a direct result of the potential commercial FAR increases under Alternative 1. Because less commercial space is permitted on each site under Alternative 4, more commercial sites would need to be developed to accommodate the same level of demand for commercial space. Less would be contributed to the housing Bonus program for three reasons. First, a smaller portion of the FAR in all zones would be subject to the housing bonus provisions under the current zoning. Second, projects in the DMC zone would not contribute to the Housing Bonus program. Third, development would start to spread into the DMC zone, due to lower FAR limits in the DOC 1 and DOC 2 zones.

If all available parcels were to be developed under the existing conditions, there would be demand for 10,550 units affordable to households earning less than 80% MAI with Downtown workers. However, the Downtown housing bonus program could only be expected to contribute funds that could be leveraged to develop 3,600 units. Compared to Alternative 1, Alternative 4 would produce 4,250 fewer units. This would meet only 34% of the demand generated by new Downtown jobs. Under this alternative, the bonus program would be able to house sixty percent of the households earning less than 80% MAI that could be housed under Alternative 1.

### POTENTIAL LOSS OF HOUSING TO REDEVELOPMENT

The potential for demolition of residential buildings under Alternative 4 would be the same as for Alternative 1, in both the number and location of identified buildings.

## *MITIGATION STRATEGIES*

The City of Seattle currently has a number of programs in place that can mitigate the impacts of specific developments on housing in Downtown Seattle. Among these programs are:

- In September 2002, Seattle voters approved a property tax levy renewal that will total $86 million from 2003 through 2009, earmarked for preservation and creation of affordable housing. The 2002 Levy is funding 5 programs: (1) Rental Preservation and Production; (2) Homebuyer Assistance; (3) Neighborhood Housing Opportunity Program; (4) Rental Assistance; and (5) Operating and Maintenance.
- The multifamily rehab loan program, implemented after the 2001 Nisqually earthquake, provides low-interest loans to private owners to rehabilitate properties in the Pioneer Square and International District. The program helps add rehabbed affordable housing to the Downtown housing stock.
- The City of Seattle’s Multifamily Tax Exemption (MFTE) Program allows for a partial property tax exemption for up to 10 years for multifamily rental homeownership projects of four or more units in designated target areas (including parts of Downtown). The program, which is authorized and regulated by State law (RCW 84.14), is a growth management tool for local governments to help spur residential development in urban neighborhoods. Seattle’s original MFTE Program ended on 1/1/03. The City’s Office of Housing is exploring reinstating the program, with some modifications. There will continue to be a requirement that, in return for the tax exemption, a certain percentage of units must serve low- or moderate-income households.
- Seattle’s Housing Bonus Program which allows commercial developers to achieve greater density in their buildings. They may either produce new affordable housing or make a contribution to a City housing bonus fund, the proceeds of which are used to fund new affordable housing in Downtown, which in turn mitigates housing-related impacts of office and hotel development. Affordable housing produced or funded through the Housing Bonus Program provides lower-wage office and hotel workers in Downtown Seattle with greater opportunities to live near where they work.
- Seattle’s Transferable Development Rights (TDR) Program allows existing residential buildings to transfer unused potential commercial floor area to commercial projects seeking to build above the base FAR limits. Affordable housing on sites from which TDRs are sold is preserved for 50 years.

- The Transfer of Development Credits Program provides opportunities for developers to build larger residential buildings in the Denny Triangle neighborhood.
- Relocation requirements provide funding to qualifying households earning less than 50% MAI who are forced to move because their building is subject to demolition, change of use or substantial renovation.

## Possible Mitigation Strategies

In addition to the programs listed above, the potential mitigation measures discussed below could be applied to any of the alternatives as tools to ensure that as the neighborhood changes, housing opportunities can be provided to all who seek them.

### Funding for low-income housing

- As discussed above, Seattle's TDR Program and Housing Bonus Program are key tools for preserving and creating affordable housing in Downtown. In July 2001, City Council adopted changes to the Downtown Land Use Code that, among other things, changed the thrust of the revised Downtown FAR (floor area ratio) system to favor housing. Under the current system, generally 75% of incremental floor area above the base FAR allowed outright by the Downtown Land Use Code must be achieved through either housing TDR and/or housing-childcare bonus. One of the most effective strategies for mitigating the impacts of future changes to the Downtown Land Use Code on housing would be to continue to make preservation and production of affordable housing the primary focus of the TDR and Bonus Programs.
    - Specifically, the City could require that 75% of the entire amount of incremental floor area above the base FAR (including any increases to the maximum FAR) be achieved through either housing TDR and/or housing-childcare bonus.
- The City could also reduce the amount of floor area that is exempt from TDR, bonus, and amenity feature requirements. One option would be to eliminate rules that exempt projects in the DMC zone from the new bonus/TDR program requirements adopted in 2001.
- In addition, the City could remove the option developers have in the DOC1 and DOC2 zones to achieve the first FAR above the base through revenue-generating improvements.
- The City could reinstate the tax exemption program, which grants multifamily housing developers a tax break if they include a certain portion of below-market rate housing units in their project, in targeted neighborhoods.

### Capacity for residential development beyond 25 years

Under all of the alternatives, capacity for residential development throughout Downtown Seattle could be consumed within 23 to 25 years. There is currently enough capacity for Downtown commercial development for 35 years, and various alternatives could add enough commercial capacity to meet demand for another ten years on top of that. In order to ensure a balance between residential development and commercial development beyond twenty-five years, a number of tools could be considered:

- The City could rezone various areas as "residential enclaves" reducing the maximum permitted commercial densities in targeted areas. This idea is studied under Alternative 3.
- The City could increase height limits while maintaining current FAR limits, thus increasing the potential space for residential uses.
- The City could look at options for retaining the TDC program, which currently provides additional residential development capacity for projects that participate in the program.

- The City could work with communities outside the study area to explore rezones to increase residential capacity. One such opportunity might be the portion of the Chinatown/International District east of Interstate 5.

### Retention of existing residential buildings threatened with demolition

- The City can build partnerships with non-profit housing developers and current property owners to acquire those buildings that are most threatened with demolition. The TDR bank is currently an important funding source for the acquisition of existing low-income residential buildings. Continuing to prioritize housing in the menu of choices available to commercial developers for achieving additional FAR in new Downtown office and hotel developments is a key housing mitigation strategy.

### Transfer of Development Credits (TDC) program

The TDC program, which is currently available to all projects in the Denny Triangle, would be eliminated under at least one alternative and would be significantly reduced under two of the other alternatives.

- The City could work with other neighborhoods or areas where the program would apply.
- The City could work to develop other land use strategies to encourage the use of the program.
- The City could undertake an outreach program to educate developers about the program and the benefits of using the program.

### Housing for Families and Other Large Households

Downtown Seattle's current housing stock generally consists of smaller housing units attractive to smaller households. In order to make Downtown Seattle attractive and amenable to larger households a number of strategies would need to be undertaken.

- The City could work with low-income housing developers funded by the City to provide larger units.
- The City could amend its Downtown design review guidelines to include guidelines for specific residential design elements that could be attractive to larger households.
- The City could provide incentives for projects that include units with multiple bedrooms.
- The City could work to encourage the development of facilities that would support families living Downtown, including the construction of children's play areas and the development of a new elementary school accessible to Downtown households.

## *SIGNIFICANT UNAVOIDABLE ADVERSE IMPACTS*

Under all alternatives, large public and private subsidies would be required to meet ambitious targets for housing preservation and production. If these subsidies are not available, some buildings currently providing affordable housing may be lost and other potential housing opportunities may not be created.

In spite of the number of programs currently available to assist households earning less than 30% MAI with housing, some households with employees in new Downtown Seattle office buildings and hotels would have difficulty finding affordable housing to meet their needs in King County. They would need to live in overcrowded conditions, pay more than 30% of their income for rent, or commute from lower-priced housing outside of King County. Those few households not able or willing to make these choices could potentially become homeless.

The TDC program would be eliminated under Alternative 1. The TDC program would no longer be available to projects in some portions of the Denny Triangle DOC2 zone under Alternatives 2 and 3.